

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1997
ANSWERED ON:01.12.2000
FILING OF I.T. RETURN BY MTNL
RAMJI MANJHI

Will the Minister of FINANCE be pleased to state:

- (a) whether the MTNL is filing Income Tax returns from 1993-94 regularly;
- (b) if so, whether the MTNL is claiming certain benefits in its returns for which it is not entitled to; and
- (c) if so, the action taken or propose to be taken against MTNL giving the details of benefits claimed to which the MTNL is not entitled, Year-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI GINGEE N. RAMACHANDRAN)

(a) Yes Sir

(b) & (c) MTNL has claimed from assessment year 1994-95 onwards License Fees paid to the Department of Telecommunication as an allowable deduction in its income tax returns. Previously, a nominal license fee of Rs 101/= was being charged upto assessment years 1993-94 for the license granted by the Department of Telecommunication to MTNL. License was granted by the Department of Telecommunication to MTNL under the Indian Telegraph Act conferring upon it non-exclusive rights to establish, maintain and work telephone services within the territorial jurisdiction of Delhi and Mumbai. The reasons advanced by MTNL for allowing the deduction on account of License Fees have not been accepted by the Income Tax Department. For assessment years 1994-95 to 1999-2000, the position of assessment proceedings are as under:

(i) A. Yr. 1994-95: License Fees of Rs 124.85 Crore was claimed as deduction by the MTNL. Reassessment proceedings have been initiated to tax the License Fee. The reassessment proceedings have been upheld by the Delhi High Court, while deciding the Writ filed by the MTNL against such proceedings. MTNL has filed a Special Leave Petition in Supreme Court against this decision.

(ii) A. Yr. 1995-96: License Fees of Rs 147.95 Crore was claimed as deduction by the MTNL. Commissioner of Income Tax has cancelled the order of the assessing officer accepting this claim and has directed the assessing officer to disallow the License Fees. Assessment proceedings are in progress.

(iii) A. Yr. 1996-97 and 1997-98: License Fees of Rs 198.68 Crore and Rs 234.70 Crore, respectively was claimed as deduction by the MTNL. This was disallowed by the assessing officer. Commissioner of Income Tax (Appeal) has upheld the decision in assessment year 1996-97 and for assessment year 1997-98 appeal is pending. In assessment year 1996-97, MTNL appeal is pending before Income Tax Appellate Tribunal.

(iv) A. Yrs 1998-99 and 1999-2000: License Fees of 271.10 Crore and Rs 306.60 Crore, respectively was claimed as deduction by the MTNL. The assessment proceedings are in progress.